

NEWLY ISSUED Q&A'S

TAX FUNCTION: GLOBAL

PROBLEM TYPE: END OF QUARTER EMPLOYERS-ETA 581

Question 7. The ET Handbook #401 definition for an "Active Employer" is in conflict with the instructions provided in the Handbook as well as prior Q&As. The definition reads, ".... an employer currently registered and required to file reports, who has paid and reported wages during one or more of eight consecutive calendar quarters which includes the quarter being reported." The instructions say to count any active employer subject to state unemployment compensation law at the end of the report quarter. Some states are not counting employers as active unless a report has already been filed, and taxes paid. Please provide clarification for this definition.

Answer: We are aware of this inconsistency, and will correct it with the next change to the Handbook. The definition should read: "An employer (single or multi-unit) under the state unemployment compensation law, currently registered and required to file reports during one or more of eight consecutive calendar quarters which includes the quarter being reported.

TAX FUNCTION: GLOBAL
PROBLEM TYPE: ACCEPTANCE SAMPLING

Question 4. How should the reviewer proceed with data entry if the universe is discovered to be "bad"?

Answer: If this is discovered before any AS cases are entered into the system, stop the RQC review, "fix" the universe, then start the review with a new sample and data enter into the system as acceptance sample #1.

If this is discovered after AS data entry into the system has begun - stop entry, lock acceptance sample #1 into the system (enter comments into "General Comments" section). Fix universe, select second AS then enter into system as AS #2 (an explanation should also be entered into the "General Comments" section).

If the universe can't be fixed, or the time frame for sample extraction has passed, the RQC reviewer should contact Regional Office staff for further instructions.

NOTE: Data entry software has not yet been distributed. The plan is to distribute AS data entry software in March of 1997.

TAX FUNCTION: CASHIERING
PROBLEM TYPE: ESTIMATION SAMPLE

Question 17. Should the States include EFT payments from reimbursable employers if they are received during the sample period?

Answer: Since payments from reimbursable employers are the functional equivalent of contribution payments from contributory employers, the EFT payments from reimbursable employers received any time during the quarter should be considered in the formula for determining timeliness of deposit.

Question 18. Is the percentage for EFT calculated as the percent of funds deposited during the sample period or the percent of funds deposited during the quarter? The manual seems to say both.

Answer: The percentage for EFT is calculated as the percent of funds deposited for the quarter: only the Estimation Sample is limited to the sample period. The Estimation Sample is designed to estimate how the paper (checks, money orders) payment system is performing. If the sample is properly picked, it will be representative of the entire paper payment system. In SESAs that do not use EFT, the paper payment system represents 100% of the payment system. In this case, the determination of timeliness of deposit for the quarter is based entirely on the Estimation Sample. In SESAs that accept EFT payments in addition to paper payments, the two distinct payment systems must be measured separately: the results of both measurements are then combined to determine overall timeliness of deposits for the quarter. An example is shown on page IV-112 of the Cashiering Chapter.

Question 19. Are items received in the field to be included if they don't come in through the normal bulk mail process i.e. they come into a different P.O. Box number than the regular contributions and the central office does not know what this mail contains until it is opened?

Answer: No, only items that come in through the bulk mail process should be included in the Estimation Sample. Because the number of items that are received outside of the normal bulk mail process cannot be accurately estimated, a sample from those items would not provide useful information.

Question 20. An issue was raised recently concerning SESAs that use lockbox (or other non-SESA) services, plus have in-house cashiering operations. The question was (in a nutshell): How does a SESA know whether to sample items from both operations or just from the primary mail processing operation?

TAX FUNCTION: CASHIERING
PROBLEM TYPE: ESTIMATION SAMPLE

Answer: If 95% or more of PEAK MAIL comes into one place, then the SESA samples only from that one place. If less than 95% of the mail comes into one location, then sample items must be pulled from both locations.

Question 21. Are reports with payments that cover ONLY administrative surcharges to be included in the Estimation Sample? Almost one-half of the employers in this state have a zero tax rate and pay only the surcharge. If reports that have ONLY administrative surcharges are to be excluded from the sample, how will the sample size and check interval be affected?

Answer: The purpose of the Cashiering Estimation Sample is to gauge the timeliness in which UI contributions are deposited. Checks that do not include contributions should not be part of the sample. Unless it can be determined from the outside of the envelope that no contributions are enclosed, the only way to accurately gauge timeliness of deposit of contributions in this scenario is to: increase the sample size in relationship to the number of accounts with zero tax rates. (In this particular case the sample size would increase to 1,000). Record only the items with contribution payments to use in the timeliness computation.

If the zero rate employers can be determined prior to conducting the sample through some sort of external indicator (e.g. colored envelopes, mailed to a separate P.O. Box), they should be excluded from the sampling effort.

Question 22. The Cashiering instructions direct the reviewer to record the payment amount on the sample forms. If the SESA collects other taxes along with the UI contributions or collects a surcharge along with contributions, which amount should be recorded for the sample - the total payment amount on the check or the amount of the contribution payment? Is it statistically significant one way or the other?

Answer: If the contributions are included in one check with other payments, timeliness can be determined by the deposit date of the check, regardless of whether contributions are recorded solely or if the total check amount is recorded. If possible, however, it would be better to record only the amount of the contributions to get a more accurate picture of contributions sampled. If it is not practical to break out the amount of contributions from the total amount of the check, the total amount of the check should be recorded.

TAX FUNCTION: CASHIERING

PROBLEM TYPE: ESTIMATION SAMPLE

Question 23. If an envelope selected for sampling contains two reports with payments, should both reports be part of the sample or should only one be selected? If only one, which one?

Answer: Only one report should be included in the sample. It doesn't matter which one.

Question 24. Should thick envelopes, flats and boxes which contain multiple reports, especially those from CPAs and bookkeepers, be opened before the interval count is begun and each report included in the count?

Answer: Thick envelopes, flats and boxes should be opened and the number of reports counted or *estimated* to determine if some of the reports should be included in the sample.

Question 25. Is the sample to include only current quarter payments or should other quarter payments be included as well? What if there is no report in the envelope with the check?

Answer: All contribution payments, regardless of the quarter the payment is for, should be included in the sample if the payment is received into the SESA with the bulk mail. Checks received without reports should also be included in the sample.

Question 26. Should "exception" reports be included in the sample? If a report has errors or is in an unacceptable format, should it be included in the sample even though it cannot be processed as a peak/bulk item? Are we testing mainstream processing or all?

Answer: Contribution payments that accompany "exception" reports are to be included in the sample. The purpose of the Estimation Sample is to determine the timeliness in which contributions are deposited, regardless of the procedures for processing the reports. The Estimation Sample was not designed to test report processing.

Question 27. If an account number has not been assigned and the check must be "suspended" under SESA procedures, should the check be included in the sample? Is this sample intended to test the timeliness of the SESA's suspense item processing?

TAX FUNCTION: CASHIERING
PROBLEM TYPE: ESTIMATION SAMPLE

Answer: Do not exclude contribution payments for which there is no account number from the sample. If there is no account number, the name (and any other identifying information the reviewer thinks will be helpful in determining when the check is deposited) should be recorded on the sample coding sheet. The Estimation Sample was not designed to test the timeliness of the SESA's suspense item processing, but to determine the timeliness in which the SESA deposits contributions into the clearing account.

Question 28. Should a check that was pulled during the sample selection period and returned to the employer because the employer isn't liable, be removed from the sample?

Answer: Yes. If it can be verified that a check selected during the sampling period has been returned to the employer, it should be removed from the sample. Do not attempt to replace it even though the removal of the check could bring the total sample items to less than 500.

TAX FUNCTION: COLLECTIONS
PROBLEM TYPE: ACCEPTANCE SAMPLING

Question 14. Some States do not have laws that permit declaring debt uncollectible while other States have collection procedures which are weak or non-existent after several years; how can States avoid creating a universe which may consist of cases that really have no actions to review within the limitations of the "three year" period?

Answer: Questions in the A/S were changed to reflect that reviewers are to track collection activities for the current year and the two prior years. Thus, it will be necessary for States to further stratify the collections universe to ensure that they are able to review some collection activity in the sixty cases.

Reviewers will have to ascertain what the SESA's policy is for declaring accounts uncollectible and what collection activity takes place beyond a three year period.

The instructions for the Collection universe advise that the universe consist of accounts with \$100.00 or more of tax due which are at least 30 days old. Reviewers will have to decide whether to stratify the universe further by limiting the time period to at least 30 days but not older than five years, seven years or whatever time period that will ensure collection activity is still occurring. Any questions regarding the stratification of the collection universe should be addressed to your Regional Office representative.

TAX FUNCTION: CREDITS/REFUNDS
PROBLEM TYPE: ACCEPTANCE SAMPLING

Question 2. What should a SESA do about universes when different system procedures exist for contributory and reimbursing employers? Does the SESA need to combine universes or can the SESA conduct separate Acceptance Samples? If separate how will they report the two Acceptance Samples? If combined, can they prorate sample size in accordance with percentages for each?

Answer: Several SESAs have indicated different processes for debits, credits, and benefit charging for contributory and reimbursing employer accounts. It is not possible for SESAs to enter data for separate acceptance samples for these reviews. The SESA may elect to combine the universes for each process or may select the sample on a prorated basis. Reviewers should contact their RO representatives for further instructions concerning combining or for prorating the sample.